

NATIONAL LIFE OF CANADA



SIXTY-NINTH ANNUAL REPORT

Nineteen Hundred and Sixty-seven



OUR PROGRESS AT A GLANCE

	1967	1966
Life Business in Force.....	\$1,586,691,984	\$1,459,090,751
<i>Comprising</i>		
Individual.....	582,145,417	539,778,993
Group Insurance.....	670,580,615	603,802,814
Group Annuities.....	333,965,952	315,508,944
New Life Business.....	122,251,204	118,538,137
<i>Comprising</i>		
Individual.....	96,718,976	82,306,920
Group Insurance.....	22,677,800	26,295,281
Group Annuities.....	2,854,428	9,935,936
<i>(All figures net of reinsurance ceded)</i>		
Premium Income.....	24,877,199	21,937,007
Investment Income excluding profits.....	8,672,275	7,864,065
Benefits Paid or Provided For.....	25,469,635	22,496,943
Total Assets.....	171,033,759	150,638,738
Net Earned Interest Rate.....	6.18%	6.20%
Capital and Surplus.....	11,800,069	9,853,832

BOARD OF DIRECTORS

HON. M. WALLACE McCUTCHEON, P.C., Q.C.*
Chairman of the Board

HAROLD R. LAWSON*
*Vice-Chairman of the Board and
Chairman of the Executive Committee*

JOHN A. RHIND*
President

LAWRENCE C. BONNYCASTLE*
Vice-President

HON. JOHN B. AIRD, Q.C.

DONALD C. CARLISLE

GEORGE I. DAVIS*

BARRY B. HAYES

GEORGE D. MEAD

HON. LIVINGSTON T. MERCHANT

EDWARD P. NEUFELD

COL. SIDNEY C. OLAND, V.D., LL.D.

CLAUDE PRATTE, Q.C.

HAROLD W. THOMSON

FRANK S. VANSTONE

WILLIAM P. WILDER*

* *Member of the Executive Committee*

THE NATIONAL LIFE ASSURANCE COMPANY OF CANADA

Head Offices: Canada

522 University Avenue, Toronto

United States

291 Glen Street, Glens Falls, N.Y.

REPORT OF THE BOARD OF DIRECTORS



Business Transacted—New business during the year amounted to \$122,251,204, an increase of 3.1% over the previous year (see page 1 for comparative figures). It is particularly gratifying to note that new individual life business increased 17.5% over that written in 1966. An interesting feature of our individual sales was the enthusiastic reception of our National Equity Life Insurance Policy which we began to market in 1967. This unique policy in which assets equal to one-half the policy reserves are invested in equities, provides benefits which vary according to the performance of our separate common stock fund. It is designed to protect policy benefits from the eroding effect of inflation. During the year total life business in force passed the one and one-half billion dollar mark and at year's end amounted to \$1,586,691,984, a gain of 8.7% over our life business in force a year ago.

Assets—Assets, exclusive of separate funds, increased \$13,005,127, or by roughly 10%, to \$144,110,541. This was effected along with a reduction in our short-term indebtedness of \$1,211,292. The continued decline in bond values during the year was primarily responsible for the year-end book values of our securities exceeding the aggregate value authorized by the insurance law of Canada. This excess was \$914,826 which amount was well covered by our investment and contingency reserves of \$2,225,000. Separate fund assets, held for corporate pension and other plans, increased by \$7,389,894 to \$26,923,218. To take advantage of the high interest rates on long-term bonds with adequate call protection, the bond portfolio has been increased by \$5.7 million. Mortgages increased by \$4.6 million and common and preferred stocks by \$1 million. A substantial portion of the preferred stocks are those which are convertible into common shares or whose dividends may change to reflect Company earnings.

The net rate of interest earned on the Company's assets, after deducting expenses, was 6.18%. The decline from last year's 6.20%, despite the general pattern of higher interest rates resulted from a combination of circumstances including greater emphasis on equity investments and switches within the common stock portfolio to growth stocks with lower yields. 1968 should see a return to the upward trend of our rate of interest earnings.

Operating Results—Our income from premiums and from interest, dividends, and rents increased approximately 13% to \$33,549,474. Death and disability payments, amounting to \$7,244,228, were much higher in relation to business at risk than during 1966 which was, however, a relatively favourable year from the standpoint of mortality experience. Payments on account of matured endowments and surrender benefits of \$4,977,009 were likewise proportionately higher than in 1966. General insurance expenses increased \$466,477, or 13.4% to \$3,942,320. Major items accounting for this substantial rise in expenses were increases in the salary account, increased expenditures directed to building sales manpower, and the expenses related to the installation of a computer. Operating income, after dividends to policyholders, increased \$95,876 to \$1,376,917.

Capital and Surplus—After including net profits of \$576,673 realized on the sale of assets, capital and surplus increased by \$1,946,237 to \$11,800,069. Included in this figure are investment and contingency reserves which were increased \$575,000 to \$2,225,000.

Appreciation—We would like to emphasize that the achievements of the Company during 1967, as in past years, have been made possible only through the contributions of the staff and field force and to them we extend our sincere appreciation.

M. W. McCUTCHEON
Chairman of the Board

J. A. RHIND
President

STATEMENT OF ASSETS AND LIABILITIES

December 31

1967

1966

ASSETS

Government of Canada bonds.....	\$ 3,848,054	\$ 3,530,625
Provincial and municipal bonds.....	10,592,694	8,665,163
Corporate bonds.....	23,154,459	20,565,164
Other bonds.....	6,525,852	5,666,074
Bonds.....	44,121,059	38,427,026
Preferred stocks.....	1,200,094	398,148
Common stocks.....	6,772,025	6,548,952
First mortgage loans.....	79,550,524	74,936,977
Policy loans.....	5,726,570	5,208,244
Real estate held for investment.....	1,408,760	1,474,194
Invested assets other than separate funds.....	138,779,032	126,993,541
Cash.....	1,203,754	830,814
Premiums receivable.....	1,578,067	969,528
Home office property.....	868,771	859,184
Interest due and accrued.....	1,405,967	1,236,347
Other assets.....	274,950	216,000
Total assets other than separate funds.....	144,110,541	131,105,414
Separate funds.....	26,923,218	19,533,324
Total assets.....	<u>\$171,033,759</u>	<u>\$150,638,738</u>

LIABILITIES, CAPITAL AND SURPLUS FUNDS

Provision for future guaranteed benefits.....	\$120,941,518	\$110,233,932
Provision for claims pending.....	2,637,304	2,207,592
Provision for policyholders' dividends.....	1,738,050	1,649,888
Amounts left on deposit by policyholders.....	6,038,522	5,108,976
Short-term indebtedness.....	323,692	1,534,984
Other liabilities.....	631,386	516,210
Total liabilities other than separate funds.....	132,310,472	121,251,582
Capital stock—100,000 shares of \$10 par value.....	1,000,000	1,000,000
Investment and contingency reserves.....	2,225,000	1,650,000
Surplus.....	8,575,069	7,203,832
Total capital and surplus funds.....	11,800,069	9,853,832
Separate funds.....	26,923,218	19,533,324
Total liabilities, capital and surplus funds.....	<u>\$171,033,759</u>	<u>\$150,638,738</u>

M. W. McCUTCHEON
Chairman of the Board

J. A. RHIND
President

Notes

1. Bonds are carried at amortized cost or less and stocks at cost or less, except for those included among assets held for separate funds, which are carried at market value. At December 31, 1967 these values in the aggregate exceed the aggregate value authorized by the insurance law of Canada by approximately \$915,000, against which the Company carries investment and contingency reserves of \$2,225,000.
2. Home office property is shown after deducting a mortgage of \$141,229 in 1967 and \$160,816 in 1966.
3. \$1 U.S. is treated as equivalent to \$1 Canadian and £1 Sterling as \$3 Canadian. If current rates of exchange had been used, there would have been no material change in surplus funds shown.



STATEMENT OF INCOME

Year ended December 31	1967	1966
INCOME		
Insurance and annuity premiums.....	\$ 24,877,199	\$ 21,937,007
Interest, dividends and rents.....	8,672,275	7,864,065
Total.....	<u>33,549,474</u>	<u>29,801,072</u>
DISPOSITION OF INCOME		
Death and disability benefits.....	7,244,228	6,204,902
Matured endowments and surrender benefits.....	4,977,009	4,179,538
Annuity payments.....	746,154	629,236
Interest on deposits by policyholders.....	249,375	210,819
Provision for future guaranteed benefits.....	10,707,586	9,797,915
Other benefit payments.....	289,178	218,619
Sub-total—Benefits paid or provided for (excluding dividends to policyholders).....	24,213,530	21,241,029
Commissions.....	1,787,217	1,618,444
General insurance expenses.....	3,942,320	3,475,843
Taxes (excluding Canadian income taxes).....	443,840	394,219
Investment expenses.....	529,545	534,582
Total.....	<u>30,916,452</u>	<u>27,264,117</u>
Operating income before dividends to policyholders.....	2,633,022	2,536,955
Less dividends to policyholders.....	1,256,105	1,255,914
Operating income.....	<u>\$ 1,376,917</u>	<u>\$ 1,281,041</u>

STATEMENT OF CAPITAL AND SURPLUS FUNDS

Year ended December 31	1967	1966
Operating income.....	\$ 1,376,917	\$ 1,281,041
Realized capital gains and losses.....	576,673	389,861
Canadian income taxes.....	(7,353)	(7,321)
Total.....	1,946,237	1,663,581
Capital and surplus funds beginning of year.....	9,853,832	8,190,251
Capital and surplus funds end of year.....	<u>\$ 11,800,069</u>	<u>\$ 9,853,832</u>

AUDITORS' REPORT TO THE SHAREHOLDERS AND POLICYHOLDERS

We have examined the statement of assets and liabilities of The National Life Assurance Company of Canada as at December 31, 1967 and the statements of income and capital and surplus funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the provisions for future guaranteed benefits and for policyholders' dividends were determined and certified by the Company's Actuary.

Based on our examination and the certificate of the Actuary, we report that in our opinion these financial statements present fairly the financial position of the Company as at December 31, 1967 and the results of its operations for the year then ended.

CLARKSON, GORDON & CO.
Chartered Accountants

TORONTO, CANADA, JANUARY 19, 1968

BRANCH OFFICES AND AGENCIES

BRITISH COLUMBIA.....	Vancouver	W. R. PENN, C.L.U.	Branch Manager
	Vancouver South	G. E. FLYNN	Branch Manager
ALBERTA.....	Calgary	G. D. PETRIE	Branch Manager
	Edmonton		
MANITOBA.....	Winnipeg	L. GARRISON, C.L.U.	Branch Manager
ONTARIO.....	Downsview	J. BRODSKY INS. AGEN. LTD.	General Agent
	Hamilton		
	Kitchener McLean	G. B. McLEAN	Branch Manager
	Kitchener Gartenberg	ADVANCED INS. SERV. LTD.	General Agent
	Ottawa	W. E. TUFTS, C.L.U.	Branch Manager
	Toronto Central	G. R. TRUSSLER	Branch Manager
	Toronto East	J. A. DEVEY	Branch Manager
	Toronto North	C. W. NUSCA	Branch Manager
	Toronto Simcoe	L. J. D'ALTON	Branch Manager
	Toronto South	G. L. JOEDICKE	Branch Manager
QUEBEC.....	Quebec City	J. A. ROY, C.L.U.	Branch Manager
	Montreal Island	Y. H. McDOUGALL	Branch Manager
	Montreal University	N. L. KRAVITZ	Branch Manager
	Montreal Uptown	CHARNEY-MILLER ASSOC. LTD.	General Agent
	Mount Royal	A. KING, C.L.U.	Branch Manager
	Sherbrooke	J. R. DUGAL	Branch Manager
NOVA SCOTIA.....	Halifax	S. A. BUSHELL, C.L.U.	Branch Manager
NEWFOUNDLAND.....	St. John's	T. B. MURPHY, C.L.U.	Branch Manager
ARIZONA.....	Phoenix	R. L. UDELL	Manager
CALIFORNIA.....	Los Angeles	G. CHURCH	Manager
	San Francisco	A. C. ANSBRO	Manager
CONNECTICUT.....	Hartford	F. X. JOHNSTON	Manager
FLORIDA.....	Jacksonville	E. JOHNSON	Manager
ILLINOIS.....	Chicago	A. E. CARLSON	Zone Life SuperIntendent
INDIANA.....	Indianapolis	M. H. CRAVENS	Manager
KENTUCKY.....	Louisville	L. P. MURRAY	Manager
MARYLAND.....	Baltimore	V. TRAUB	Life Sales Representative
MASSACHUSETTS.....	Boston	H. P. STEELE	Manager
MICHIGAN.....	Detroit	J. A. KNAPP	Manager
MISSOURI.....	Kansas City	L. CARNEY	Manager
NEW JERSEY.....	Newark	C. SUTTER, C.L.U.	Life Sales Representative
NEW YORK.....	Albany	C. MILLER	Life Manager
	Buffalo	E. J. FLAD	Manager
	Glens Falls	D. ALLEN, C.L.U.	Life Sales Representative
	New York City	P. COOPER	Life Sales Representative
	Rochester	G. DELORME	Life Sales Representative
	Syracuse	R. HENRY, C.L.U.	Sales Supervisor
NORTH CAROLINA.....	Raleigh	D. A. MAY	Life Sales Representative
OHIO.....	Columbus	L. FRANZ	Life Sales Representative
PENNSYLVANIA.....	Philadelphia	L. CLAWGES, C.L.U.	Life Sales Representative
	Pittsburgh	R. WILLIAMS, C.L.U.	Life Sales Representative
TENNESSEE.....	Nashville	C. W. KING	Life Sales Representative
VIRGINIA.....	Richmond	D. A. MAY	Life Sales Representative
BERMUDA.....	Hamilton	A. A. POWELL	General Agent
WEST INDIES.....	Jamaica	N. E. BINGHAM	Branch Manager
	Caribbean Agencies	J. V. GONSALVES	General Agent
	Barbados	K. D. G. FROST	Manager
	Curacao and Aruba	C. F. GUILLEN	Manager
	Trinidad	A. F. GONSALVES	Manager
		N. N. M. GUILLEN	Production Manager

EXECUTIVE OFFICERS

H. R. LAWSON, F.S.A., F.C.I.A. <i>Vice-Chairman of the Board and Chairman of the Executive Committee</i>	HON. M. WALLACE McCUTCHEON, P.C., Q.C., A.S.A. <i>Chairman of the Board</i>	J. A. RHIND <i>President</i>
G. M. DRURY <i>Vice-President-Administration</i>	C. T. P. GALLOWAY, F.S.A., F.C.I.A. <i>Vice-President and Actuary</i>	R. G. HENDERSON <i>Vice-President and Director of Agencies</i>
J.K. WILLIAMS, Q.C. <i>Vice-President and Secretary</i>	F. M. CRISPO <i>Treasurer</i>	T. R. FOSTER <i>Secretary — U.S.A.</i>
		W. W. BUCHANAN <i>Secretary — U.S.A.</i>